

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Application of Southern California Edison
Company (U 338-E) for Approval of the
Results of Its 2013 Local Capacity
Requirements Request for Offers for the
Moorpark Sub-Area.

Application 14-11-016

**REPLY COMMENTS OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

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Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the California Independent System Operator Corporation (CAISO) files these reply comments regarding the proposed and alternate *Decision Approving, In Part, Results of Southern California Edison Company (SCE) Local Capacity Requirements Request For Offers For Moorpark Sub-Area Pursuant to Decision 13-02-015* (Proposed Decisions).

I. Introduction

The CAISO's reply comments focus primarily on the claim that the consultations between the CAISO and SCE resulted in inappropriate resource requirements in SCE's request for offers (RFO).¹ The Commission's Decision (D.) 13-02-015 required SCE to consult with the CAISO to ensure that resources selected in the RFO "meet the identified reliability constraint identified by the California Independent System Operator."² The Commission also specifically required SCE to consult with the CAISO "regarding *[CA]ISO performance characteristics* (such as ramp-up time) for local reliability."³ As the record in this case shows, SCE and the CAISO conducted such consultations according to the Commission's decision. Further, the CAISO's determination of reliability constraints and local capacity requirements (LCR) has a strong legal and factual basis supported by the Commission's decisions in Track 1 (D.13-02-015) and Track 4 (D.14-03-004)⁴ of the 2012 long-term procurement plan, the North American Electric Reliability Corporation (NERC) Planning Standards, and the CAISO's tariff.

II. The Track 1 and Track 4 Decisions Acknowledged that Only "Fast Demand Response" Resources Could Meet the CAISO-Identified Reliability Constraint.

During Track 1 and Track 4 of the 2012 long-term procurement plan proceeding, the Commission heard considerable testimony regarding the necessary performance characteristics of

¹ See Opening Comments of EnerNoc, Inc. (EnerNoc) on Proposed Decision and Alternate Proposed Decision (EnerNoc Comments).

² D.13-12-015, p. 132.

³ Id. at 75 (emphasis added).

⁴ The Track 4 Decision does not directly control this RFO, but the issues raised and the Commission's consideration of those issues are instructive in this proceeding.

resources sufficient to meet the LCR in the western LA Basin. In the Track 1 Decision, the Commission recognized the CAISO’s testimony indicating “that it may be possible to develop specific demand response programs which would be able to count for reliability purposes, possibly including programs targeted to specific local areas, or to shave peak load (which would reduce the load forecast). However, there are no demand response programs at this time which the [CAISO] believes meet reliability criteria.”⁵

Recognizing this testimony, the Track 1 Decision noted: “We [the Commissioners] fully expect that innovative demand response programs will continue to develop, *including those that possess characteristics that are consistent with [CAISO] local reliability criteria.*”⁶ Implicit in this finding is that demand response resources must meet CAISO local reliability criteria to count toward LCR needs. The Commission then stated that it “is reasonable to assume that some amount of demand response resources will be located in the LA Basin, *be locally dispatchable, and available to meet LCR needs by 2020.*”⁷ Conclusion of Law No. 7 further found that it was reasonable to assume 200 megawatts (MW) of “locally-dispatchable” demand response resources to be available in the LA Basin to “reduce LCR needs by 2020.”⁸ The Commission adopted the 200 MW by 2020 figure knowing that 549 MW of demand response existed in the LA Basin at that time (in 2013).⁹ The Commission’s assumption of only 200 MW of locally-dispatchable resources (out of a total of 549 MW of demand response) clearly reflected the Commission’s understanding that not all demand response resources are consistent with the CAISO’s local reliability criteria.

In Track 4, the Commission more explicitly addressed the issue of whether and how demand response resources could meet LCR. In the Track 4 Scoping Memo, the Commission set forth assumptions for the levels of “fast demand response,” specifically those demand response resources that would be “*activated in 30 minutes or less after the first contingency.*”¹⁰ The Scoping Memo assumed a level of “fast demand response” in the LA Basin and San Diego local reliability areas at 189 MW for the years 2018 and 2022 and also assumed 997 MW of additional demand response that it designated as “second contingency” resources. These “second contingency” resources were specifically *not* modeled to address LCR. The Commission acknowledged that only the “fast demand response” resources could be depended upon to mitigate the first contingency and prepare the system for a second contingency in an N-1-1 scenario. Specifically, the Commission found as follows:

⁵ D.13-02-015, pp. 53-54.

⁶ Id. at 55. (emphasis added).

⁷ Id. (emphasis added).

⁸ Id. at 158.

⁹ Id. at 52.

¹⁰ D.14-03-004, p. 53.

“Consistent with the instructions of the revised Scoping Memo, the 997 MW of ‘second contingency’ demand response in the [CAISO] modeling was not available to avoid the second contingencyThe [CAISO]’s modeling followed the revised Scoping Memo’s instructions, which reflected the operating and performance characteristics of ‘second contingency’ demand response resources. In the [CAISO]’s reliability rubric, these resources should not be counted because they cannot be relied upon to activate within 30 minutes after the first contingency. We find that, consistent with the revised Scoping Memo, the [CAISO] properly did not model ‘second contingency’ demand response resources for determining LCR needs. We will not revisit these demand response assumptions here for the purpose of changes to the [CAISO] study itself, but instead consider whether potential additional demand response should affect authorized procurement amounts.”¹¹

The Commission further noted that “[i]n the future, it is reasonable to expect that some amount of what is now considered ‘second contingency’ demand response resources can be available to mitigate the first contingency, and therefore meet LCR needs.”¹² However, this finding was immediately followed with the clarification that “[CAISO] witness Millar agrees that it is possible that additional demand response resources with more notice would also be able to respond within the time frame expected to meet the N-1-1 contingency within 30 minutes.”¹³ The Track 4 decision recognized that demand response not capable of being dispatched to respond to a first contingency within 30 minutes could not be relied upon to meet LCR.

Based on this discussion, the both the Track 1 and Track 4 decisions specifically required that any RFO issued by SCE had to ensure that “the resource must meet the identified reliability constraint identified by the [CAISO].”¹⁴ EnerNoc takes issues with SCE’s decision to “reduce the one (1) hour response time required in the original [demand response] LCR Pro Forma Agreement,”¹⁵ but completely disregards the thorough Commission discussion of demand response performance characteristics in the Track 4 decision that authorized SCE to procure new resources in the first place. In addition to being inconsistent with the LCR requirements in the CAISO tariff, maintaining the one hour response time for demand response resources would have been objectively unreasonable based on the Commission’s analysis of demand response performance characteristics and the directive to ensure that resources meet the CAISO-identified reliability constraint.

III. The 20-Minute Maximum Response Time for Demand Resources Is Rooted in Established Reliability Requirements.

¹¹ Id. at 55-56.

¹² Id. at 57.

¹³ Id. at 57.

¹⁴ Id. at 114; D.13-12-015, p. 132

¹⁵ EnerNoc Comments, p. 7.

CAISO Tariff Section 40.3 specifically identifies that the CAISO will conduct an annual Local Capacity Technical Study¹⁶ to determine the amount of Local Capacity Area Resources needed to meet identified contingencies.¹⁷ The CAISO applies methods for resolving contingencies consistent with NERC Reliability Standards and the CAISO Reliability Criteria.¹⁸ The tariff specifies a maximum manual adjustment time of 30 minutes after the first contingency for the CAISO to prepare the system for the next contingency.¹⁹ This 30-minute manual readjustment requirement applies to all resources, not solely demand response.²⁰ Based on the CAISO tariff and the NERC Reliability Standards, the 1-hour response time initially included in the SCE RFO would have been insufficient on its face to meet LCR needs. The CAISO has stated on numerous occasions that in order to manually readjust the system within the NERC-mandated 30-minute window, some amount of time must be reserved for operator action and market dispatch.²¹ A 20-minute window response requirement allows only 10-minutes for the CAISO operator to assess and re-dispatch the system.

IV. The Commission’s Resource Adequacy Decision for 2016 does not Control Long-Term Resource Procurement Required to Meet CAISO Identified Reliability Constraints.

In its comments, EnerNoc cites the Commission’s decision regarding resource adequacy (RA) requirements for the 2016 program year (D.15-06-063) to argue that there is no Commission required local dispatch requirement for demand response resources. This observation ignores the CAISO’s requirement for local area capacity and is irrelevant to this proceeding.

The 2016 RA decision did not dictate, and does not govern, the procurement which the Commission directed SCE to undertake (which procurement underlies this proceeding) in the Track 1 and Track 4 long-term procurement plan decisions. The Track 1 Decision specifically required SCE to solicit resources that met “the identified reliability constraint identified by the [CAISO].”²² That decision, not the 2016 RA proceeding, directs and governs SCE’s procurement at issue in this proceeding. The CAISO provided SCE with information regarding its Local Capacity Area Resource requirements to meet this directive. In addition, D.15-06-063 pertains only to 2016 resource adequacy requirements. The Decision notes that the 20-minute local dispatch requirement was not adopted for 2016 because of the inability for DR programs to make modifications prior to the start of the 2016

¹⁶ Terms not otherwise defined herein are used as defined in the CAISO tariff.

¹⁷ CAISO Tariff Sections 40.3.1 and 40.3.1.1.

¹⁸ CAISO Tariff Section 40.3.1.1

¹⁹ CAISO Tariff Section 40.3.1.1(1).

²⁰ This requirement is based on NERC Planning Standards TOP-004 and TOP-007.

²¹ *See*, Tr. at 493, lines 7-11, Testimony of Neil Millar, Order Instituting Rulemaking to Enhance the Role of Demand Response in Meeting the State’s Resource Planning Needs and Operational Requirements (R.13-09-011), p. 6.

²² D.13-12-015, p. 132.

resource adequacy year.²³ The Decision also explicitly states that “this issue should be re-evaluated in Phase 3 of this proceeding to be considered for future compliance year RA rules.”²⁴ The Track 1 and Track 4 decisions, which govern this procurement, were designed to meet long-term LCR needs based on the CAISO-identified reliability constraints in 2021 and beyond. Application of resource adequacy rules in 2016 is therefore irrelevant.

EnerNoc also fails to acknowledge that the Long-term Procurement Proceeding Track 1 and Track 4 decisions explicitly recognized the ability and difference between “fast demand response” resources and “second contingency” resources, with the Commission finding that “second contingency” resources could not be used to meet the CAISO-identified reliability constraint.

V. The Evidentiary Record in A.14-11-016 Supports a Finding that SCE’s Consultations with the CAISO Were Expected and Reasonable

Reviewing the actual record demonstrates that the process for determining performance characteristics was fully consistent with the Commission’s Long-term Procurement Plan proceeding Track 1 directive to consult with the CAISO. The evidentiary record shows that SCE provided hypothetical local capacity portfolios for the CAISO to study.²⁵ The CAISO studied the scenarios consistent with the studies it conducted in the Track 1 and Track 4 long-term procurement plan proceedings to determine whether the conceptual portfolios would meet the local capacity needs.²⁶ In the process of studying these hypothetical local capacity portfolios, the CAISO indicated a need for a 20-minute response time for use limited resources. Need for a fast response time requirement was not a new concept, as indicated by the discussion of the Track 1 and Track 4 decisions above. As CAISO witness Millar clarified at hearing:

In these discussions we did reiterate the same position [the CAISO has] taken in a number of proceedings since the start of the LTPP proceeding, that...the resource itself would have approximately 20 minutes to perform in order to meet our needs on the transmission standard.²⁷

This requirement was understood by the Commission, acknowledged in D.13-12-015 and consistent with CAISO tariffs and operational requirements.

Respectfully submitted,
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²³ D.15-06-063, p. 35.

²⁴ Id.

²⁵ Tr. (Millar) at 490, ln. 5-8.

²⁶ Exhibit CAISO-3, Prepared Direct Testimony of Neil Millar, p. 5.

²⁷ Tr. (Millar) at 493, ln. 6-13.

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